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**Upgrading California's Electric
Transmission System: Issues and
Actions for 2004 and Beyond**

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SDG&E Supports CEC Efforts

- SDG&E Supports CEC Proactive Efforts to Improve Electric Transmission Processes
 - Long-term transmission and resource planning process is an integral part of delivering safe, reliable, and cost effective electricity to customers
 - Stakeholder process should be expanded to evaluate issues and recommend solutions



SDG&E Commitments

SDG&E is committed to building electric transmission that provides:

- Reliable electric service to its customers
- Economic benefits to its customers
- Access to renewable generation



SDG&E Key Points

- New transmission infrastructure needed in California
- The current transmission planning process is broken
- SDG&E encourages improvement to the existing process



Why New Transmission Infrastructure in California

- Meet reliability needs now and in the future
- Provide access to renewables
- Reduce energy costs for the citizens of California
- Remove congestion on the existing bulk power system
- Greater access to potentially lower cost, fuel diverse resources
- Reduce RMR costs
- Balanced Resource Plan



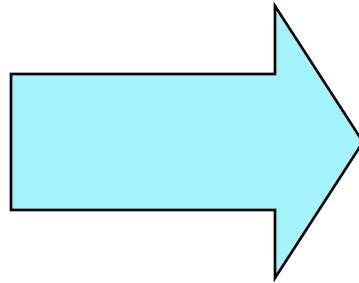
SDG&E Resource Plan

- SDG&E Resource Plan Includes
 - **Reduce demand** through conservation, energy efficiency, demand reduction programs
 - **Increase supplies from renewable sources** and provide 20% of our energy from renewables by 2010
 - **Add more transmission** to ensure reliability and access to additional lower cost, fuel diverse and renewable power
 - **Obtain new generation in San Diego** to ensure reliability, replace expiring CDWR contracts, reduce RMR payments, and allow retirement of aging local generation
- Transmission additions will enable implementation of resource plan



SDG&E Resource Plan Loading

- Conservation & Energy Efficiency
- Renewables & Dist Generation
- Conventional Generation



Transmission
Impacts



Improvements to Existing Process

- Expand existing stakeholder process
- CAISO should have responsibility to determine “need”
- Corridor planning is necessary
- Access to renewables must occur
- Stakeholders need to balance environmental concerns with energy needs



Timing is Critical

- Mission/Miguel required to relieve congestion
- Otay Mesa transmission required to connect new power plant
- SDG&E could need a 500 kV transmission line as early as 2010 for reliability and interconnection of renewable resources
 - Timing is subject to many variables including:
 - Demand projections
 - Generation additions and retirements
 - Stakeholder process needed now
 - Currently at least 5 years is needed for licensing process
- It should be a question of “When” and not “If”



Improve Transmission Planning Process

- Need consensus on planning assumptions
- Need CEC, CPUC, & ISO to work together
 - CAISO should determine need
 - CPUC evaluates all alternatives, including need, via CPCN
 - Utility must file route when application is submitted
 - Expedite permitting process
- Appropriate use of the social discount rate should be investigated



Corridor Planning

- Corridor Planning is Necessary
 - Corridors must be developed in advance so that transmission lines can be sited when needed
 - Available paths are disappearing rapidly
 - Corridor studies should proactively be conducted on projects identified in PTO/ISO grid planning assessment in collaboration with stakeholders
 - Support CEC recommendation of a policy to be developed for designating corridors across state and federal lands
 - Utilities must be allowed to recover investments in corridor acquisitions



Access to Renewables

- SDG&E supports formation of a stakeholder group to develop a transmission plan for Salton Sea geothermal projects
 - Geothermal technology is dependable
 - Geothermal resources are available during peak



Summary

- Licensing and construction of new transmission is key to the energy future of California
- Stakeholders, including state agencies, must work collaboratively to expedite new transmission
- Corridors must be dedicated in advance of project need date
- **Need clear resolve to remove roadblocks and impediments to licensing transmission.**